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Message Text

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MILAN ALSO FOR TURIN

E.O. 11652: GDS
TAGS: PINT
SUBJECT: FIAT PRESIDENT GIANNI AGNELLI LOOKS AT THE ITALIAN CRISIS

HERE ARE THE VIEWS OF GIANNI AGNELLI ON NATIONAL DEVELOPMENTS AS EXPRESSED TO ME IN A LONG CONVERSATION IN ITALIAN AT HIS TURIN OFFICE ON THE MORNING OF MARCH 15. I AM REPORTING THEM IN DETAIL AND TELEGRAPHICALLY NOT ONLY BECAUSE OF THEIR IMPORT AND TIMELINESS BUT ALSO BECAUSE THEY APPEAR TO BE SOMEWHAT AT VARIANCE WITH THE VIEWS OFTEN ATTRIBUTED TO HIM IN RECENT WEEKS.

1. AGNELLI SAID THAT THE OUTLOOK FOR ITALY'S ECONOMY, EMPLOYMENT, AND BALANCE OF PAYMENTS WAS "BETTER THAN ORIGINALLY FEARED", AT LEAST FOR THE SHORT TERM. THE INFLATION FRONT, HOWEVER, WAS "MUCH WORSE" THAN IT LOOKED. ASKED WHETHER PREMIER ANDREOTTI'S GOAL OF A 16 PERCENT INFLATION RATE IN 1977 WOULD BE ACHIEVED, HE ANSWERED WITH A BLUNT "ABSOLUTELY NOT." INFLATION WOULD REMAIN WELL ABOVE 20 PERCENT BECAUSE OF THE GOVERNMENT'S INABILITY TO FORCE EITHER A SHARP CURTAILMENT OF

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PUBLIC EXPENDITURES OR A MEANINGFUL REVISION OF THE "SCALA MOBILE." HE PHILOSOPHIZED THAT ITALY RISKED GOING THE WAY OF SOME UNSPECIFIED LATIN AMERICAN COUNTRIES WITH PERMANENT INFLATION AND RECURRENT DEVALUATION OF ITS CURRENCY. HE VOLUNTEERED THAT IT IS A MISTAKE FOR ANDREOTTI TO SEEK, AND FOR THE IMF TO GRANT, THE LOAN PRESENTLY UNDER CONSIDERATION. HE HAD ADVISE THE IMF "AGAINST" GRANTING SUCH A LOAN, WHICH

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HE FELT MIGHT GIVE ITALIANS A FALSE SENSE OF SECURITY.

2. HE THOUGHT THAT THE ITALIAN CRISIS COULD NOT BE RESOLVED WITHOUT THE COOPERATION OF THE "SOCIAL FORCES" AND OF LABOR AND THE COMMUNISTS IN PARTICULAR. TO MY OBSERVATION THAT RECENT EVENTS APPEARED TO SHOW THAT THE COMMUNISTS WERE UNABLE OR UNWILLING TO "DELIVER" ON THOSE VERY ISSUES AND AREAS, SUCH AS STUDENT REVOLT AND LABOR PROBLEMS, WHERE THEY ARE BELIEVED TO BE MOST INFLUENTIAL, HE RESPONDED CRYPTICALLY, "YES, WE RISK BURNING THE COMMUNISTS BEFORE WE HAVE A CHANCE TO USE THEM." HE READILY ADMITTED THAT THE COMMUNIST "IMAGE" HAD BEEN BADLY TARNISHED RECENTLY.

3. AGNELLI DID NOT AGREE WITH THE GROWING NUMBER OF OBSERVERS WHO BELIEVE THAT THE "COMPROMESSO STORICO" MAY BE DERAILED BECAUSE OF MOUNTING COMMUNIST RANK-AND-FILE CONCERN OVER ITS POSSIBLE ADVERSE CONSEQUENCES ON THE PARTY'S ELECTORAL FORTUNES AND PUBLIC IMAGE. HE DID NOT DENY THE MANY SIGNS OF GROWING PARTY RESISTANCE TO BERLINGUER'S "ABSTENTIONIST" POLICY VIS-A-VIS ANDREOTTI, BUT FELT THAT THE COMMUNISTS ARE STUCK WITH THAT POLICY AND ARE UNLIKELY TO DENOUNCE IT AND THUS RISK TRIGGERING THE FALL OF THE GOVERNMENT AND NEW ELECTIONS.

4. ANOTHER ROUND OF EARLY NATIONAL ELECTIONS THIS YEAR WOULD BE "STUPID" FOR IT WOULD NOT SOLVE THE PRESENT PARLIAMENTARY IMPASSE. AN ELECTORAL TEST MIGHT MAKE MORE SENSE AFTER THE FRENCH NATIONAL ASSEMBLY ELECTIONS IN MARCH, 1978. AT ANY RATE, IF ELECTIONS DID TAKE PLACE WITHIN THE NEXT YEAR, AGNELLI PREDICTED THAT: THE SMALL PARTIES (SOCIAL DEMOCRATS, LIBERALS,

REPUBLICANS, AND THE SPLINTERED NEO-FASCISTS) WOULD BE "DESTROYED"; THE SOCIALISTS, WITH THEIR "FOOLISH" POLICIES, WOULD NOT FARE MUCH BETTER; IN THE RESULTING POLARIZED SITUATION, THE CHRISTIAN DEMOCRATS AND THE COMMUNISTS WOULD END UP WITH 45 PERCENT AND 40 PERCENT OF THE VOTE, RESPECTIVELY. SUCH A RESULT, AGNELLI CLAIMED, WOULD LEAD EITHER TO A CONTINUATION OF THE PRESENT IMPASSE IN PARLIAMENT OR TO THE "COMPROMESSO".

5. AGNELLI AGREED THAT 45 PERCENT OF THE VOTE WOULD, BECAUSE OF THE WORKINGS OF THE ELECTORAL LAWS, GIVE THE CHRISTIAN DEMOCRATS A NEAR MAJORITY OF THE SEATS IN BOTH CHAMBERS OF PARLIAMENT. HE DISMISSED THIS AS MEANINGLESS, HOWEVER, BECAUSE THE SOCIALISTS WOULD NOT GO BACK INTO ANY GOVERNMENT WITH THE CHRISTIAN DEMOCRATS WHICH EXCLUDED THE COMMUNISTS, A SOLUTION WHICH THE CHRISTIAN DEMOCRATS WOULD CONTINUE TO REJECT. AGNELLI PRAISED THE ABILITY AND THE GOODWILL OF SOCIALIST LEADER CRAXI, WHOM HE KNOWS PERSONALLY, BUT EXPRESSED SERIOUS DOUBTS THAT HE COULD PULL THE PARTY AWAY FROM ITS PRESENT "MAD" COURSE. HE MUSED THAT THE POLITICAL PARTIES WOULD

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DO WELL TO AGREE NOT TO HAVE ELECTIONS FOR AT LEAST 5 YEARS (SIC).
THUS RELIEVED OF THE FEAR OF HAVING TO FACE THE ELECTORATE
FOR A WHILE, THEY MIGHT MUSTER SUFFICIENT COURAGE TO
MAKE THE TOUGH DECISIONS AND SACRIFICES WHICH ARE NEEDED TO
PULL ITALY OUT OF THE PRESENT POLITICAL, ECONOMIC AND SOCIAL
CRISIS.

6. HE DOUBTED THAT THE MUCH-TALKED ABOUT DIRECT ELECTIONS OF
THE EUROPEAN PARLIAMENT, FOR WHICH HE IS AN AVOWED CANDIDATE,
WOULD BE HELD IN 1978, "EVEN THOUGH ANDREOTTI IS STILL
CONFIDENT THAT THEY WILL." HE ADDED, WITH A GRIN, THAT THEY MIGHT
TAKE PLACE IN 1979, "IF EVER." ASKED FOR MY VIEWS, I SAID THAT
I HAD LEARNED THE HARD WAY NEVER TO SECOND GUESS ITALIANS
ON THE PRECISE TIMIMG OF ANY ELECTION.

COMMENT: I HAVE KNOWN AGNELLI SINCE THE EARLY 1960'S, WHEN
HE BEGAN TO TAKE AN ACTIVE AND VISIBLE ROLE IN NATIONAL AND
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INTERNATIONAL AFFAIRS. DURING THAT TIME, I HAVE MET HIM
OCCASIONALLY DURING MY VISITS TO ITALY OR HIS TO THE STATES.
I HAVE ALWAYS FOUND HIM CANDID, QUICKWITTED, WELL-INFORMED,
AND ELEGANT IN DRESS AS WELL AS IN SPEECH. I SO FOUND HIM ON
MARCH 15. I WAS INTRIGUED BY THE FACT THAT ELECTIONS TO THE
EUROPEAN PARLIAMENT WERE VERY MUCH ON HIS MIND, FOR HE LINGERED
ON THE SUBJECT MUCH LONGER AND IN DETAIL THAT I THOUGHT THE
SUBJECT MERITED.DISCIULLO

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